



CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

January 4, 2002

H.R. 2559

An act to amend chapter 90 of title 5, United States Code, relating to federal long-term care insurance

*As cleared by the Congress December 17, 2001, and
signed by the President on December 27, 2001*

SUMMARY

H.R. 2559 expands eligibility for long-term care insurance authorized under the Long-Term Care Security Act (Public Law 106-265) to persons who had deferred their eligibility for a federal retirement annuity and who, under prior law, would not have been able to participate when the enrollment period opens in 2003. CBO estimates that H.R. 2559 will not have a significant effect on federal spending.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Under prior law, federal retirees who are receiving an annuity will be able to participate in the long-term care insurance program for federal employees, but retirees deferring their annuity would not have been eligible. H.R. 2559 would allow this group to participate. CBO estimates that about 2,000 annuitants will be newly eligible for the long-term care insurance program for federal employees because of H.R. 2559, but that only a portion will choose to purchase coverage through the federal program. Because the federal government does not contribute to enrollees' premiums, and the insurer or insurers will be required to reimburse the Office of Personnel Management (OPM) for its expenses in setting up and administering the plan, net federal outlays will net to zero over the long run.

The expenses that OPM will incur before collecting premiums from enrollees and reimbursement from the insurers will be funded from the federal government's Employees' Life Insurance Fund. H.R. 2559 will not affect the administrative costs of designing the plan and negotiating contracts with insurers. However, the federal government will incur additional costs to inform the additional annuitants of their eligibility (primarily consisting of postage and printing additional brochures about plan choices) and the costs incurred by

OPM in registering those who choose to participate. CBO estimates that these additional costs will total less than \$500,000 in fiscal year 2002. The costs of this legislation fall within budget function 600 (income security).

ESTIMATE PREPARED BY: Charles L. Betley

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis